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SUBJECT: KHOR FAKKAN PORT - A TRANSHIPMENT HUB

1.(SBU) SUMMARY: Senior officials at Khor Fakkan Port (KFP) met with Congenoffs and provided an overview of the port's operations, capacity, and expansion plans. Nearly 95 percent of the containers entering KFP are transshipped to other countries and do not enter the UAE. The port will open berths to handle Post Super Panamax container in mid-June 2006. The port is installing a container x-ray facility in an effort to meet the standards of the US' Container Security Initiative. End Summary.

2.(U) Khor Fakkan Port (KFP) Administrative Manager Mohammed Kareem Saad and, KFP Harbor Master Captain Abkar Hasson M. Dabla met with Congenoffs on May 20, 2006. The port officials provided an overview of the port's operations, capacity, and planned expansion.

Background

3.(U) KFP, which opened in 1979, is a one of two ports on the UAE's east coast. KFP is operated by the Sharjah Ports Authority. Although KFP primarily handles container ships, it is capable of handling break-bulk and ro-ro vessels. The lack of adequate roads has been an obstacle to KFP's becoming a major port of entry for cargo bound for the UAE, Saudi Arabia, and other Gulf States. The government of Sharjah plans to build a highway that will link KFP with the UAE's main cities and make the port more attractive as a gateway to the UAE and other Gulf states. There is no free zone associated with KFP.

Transshipment of Containers

4.(U) KFP's primary activity is transshipping containers. Saad estimates that about 95 percent of the container traffic is transshipped and never enters the UAE. Large container ships, mostly operating on regular schedules, come from Europe and the Far East discharge and load cargo in KFP. The vast majority of containers discharged at KFP are loaded onto smaller "feeder" ships, which then take the containers to regional ports, including Bandar Abbas, Iran, Dammam, Saudi Arabia, Jebel Ali (UAE), and to ports in India, Pakistan, and Oman. In addition to feeder ships, wooden dhows also call at KFP to take cargo to Iran, India, and Pakistan.

5.(U) According to Saad, most containers are discharged onto the quay at KFP and remain in the port for only a few days until transshipped. If possible, containers are transferred directly from a larger vessel to one of the feeder vessels. Congenoffs observed containers being transferred directly from a large

container ship to a feeder ship, the MV Memzar. The smaller ship was outboard and the gantry crane lifted the containers from the larger liner and placed them on the smaller vessel. The containers were not brought onto the quay.

Current Traffic

6.(U) United Arab Shipping Company (UASC), CMA-CGM, and Hanjin have the largest operations at KFP. As the port expands, KFP is attempting to attract more shipping companies to use the port. Saad claimed that a large East Asian shipping company, whose name he couldn't reveal, will soon sign an agreement for scheduled service at KFP.

7.(U) Currently, about 60 large container ships and more than 100 feeder ships dock at KFP every month. KFP handles approximately 2,500,000 TEUs (twenty foot equivalent unit) per year, ranking it as the 43rd container port in the world by number of TEUs handled.

Container Traffic with the US

8.(U) KFP handles nearly 25,000 TEUs going to or coming from the US per month. US traffic represents a little over 10 percent of the containers handled by KFP. All cargo between the US and KFP is transshipped via European or East Asian ports, as no ships sail directly between KFP and US ports.

Container Traffic to Iran and Iraq

9.(SBU) At present, around 3000 TEUs are transshipped to Bandar

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Abbas in Iran. Saad said he was not aware of the types of cargo that was shipped to Iran via KFP. Over the past few years, KFP has seen a resurgence of transshipments to the port of Umm Qasr in Iraq. Most of the 3000 Iraq bound TEUs per month are destined for coalition forces.

Port Facilities

10.(U) The port currently operates five berths with 14 gantry cranes along 1496 meters of pier. The deepest berths are 14 meters deep. Two additional berths with four gantry cranes designed to handle "Super Post Panamax" vessels are scheduled to begin operating in mid June 2006. CMA-CMG operates the world's largest Super Post Panamax vessel with a 9700 TEU capacity. This vessel is expected to call at KFP once the new berths open.

11.(U) KFP has the capacity to store 32,000 TEUs. An additional 12,000 TEUs of storage will become available when the Super Post Panamax area becomes operational. Three times during 2005 KFP reached maximum capacity.

Customs and the Container Security Initiative at KFP

12.(SBU) Customs at KFP are handled by the Emirate of Sharjah. Only containers that enter the UAE are subject to customs inspection. Neither Sharjah Customs nor KFP appear to take interest in cargo that enters the port for transshipment.

13.(SBU) KFP is installing an x-ray shed for container inspection. Saad said that the port authority was installing the x-ray as part of an overall upgrade that would allow KFP to become part of the US' Container Security Initiative (CSI). Once the x-ray becomes operational, 100 percent of US bound containers will be x-rayed. Saad commented that he had wanted to buy gamma scanners, but the port authority opted for lower cost x-ray scanners.

Labor at the Port

14.(U) Laborers at KFP are primarily from Sri Lanka and the Philippines. KFP has an agreement with the Sri Lankan port authority, whereby Sri Lankan employees are assigned to KFP for periods ranging from three to five years. This brings well trained Sri Lankans to KFP and is a means by which the Sri Lankan government rewards staff with a high-paying assignment in the UAE.

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